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FOREIGN AGRICULTURE CIRCULAR

OFFICE OF FOREIGN AGRICULTURAL RELATIONS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

WFP-2-51

(For Release Upon Delivery)

SOME THOUGHTS ON THE WORLD FOOD SITUATION 1/

When we reflect on the world food situation or the state and prospects of the markets for the basic foodstuffs and foodstuffs, some of the conclusions implicit in such consideration will no doubt refer to the agricultural policies and developments we should favor in the various countries of the world. While I shall say nothing about any details of such policies, I propose to lift or distill a few simple considerations from an otherwise unwieldy mass of statistics and other information that should have a bearing upon such policies. My contention is that the present world food situation calls for larger, not smaller, production of the basic foodstuffs and foodstuffs; and I shall argue that market developments in prospect are unlikely to prove an impediment to such an aim.

Population is increasing in all parts of the world. Where food consumption is low, qualitatively as well as quantitatively, improvement must mostly come from increases in domestic output. In Europe, similarly, improvements in food consumption depend largely on the countries' capacity to produce more themselves; in addition, large food and food imports will continue to be required. The physical need for supplies from the surplus countries will, therefore, remain and is also likely to be supported by effective demand. There is no serious price crisis in sight so far as I can judge, and most of the facts of the present situation would tend to support the belief that general overproduction need not be feared for the next several years. Naturally, if the international situation grows much worse, or if we actually got into a third World War, predictions that we make today will be largely invalid.

1/ An address delivered by Dr. J.H. Richter, of the Office of Foreign Agricultural Relations, U.S. Department of Agriculture, before the Western Farm Economics Association's annual meeting in Lake Tahoe, Nevada, July 16, 1951.

July 12, 1951

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It would seem probable, however, that in such a case, surpluses in some parts of the world would be matched by grave shortages in the deficit areas. On the other hand, if international tensions were really to subside, the bullish and bearish factors that would be inherent in such developments should just about balance. While specific incentives to stockpiling in the deficit countries might be lessened and shortages of production factors would be unlikely, capacities for consumption may well rise in the world's traditional food and feed importing area, Western Europe.

Among the more general considerations that make me believe that international markets for agricultural products for some time to come will not be threatened by a serious price crisis is the stabilization-consciousness of governments who have added to their knowledge of controlling economic fluctuations, especially deflation. Also, the delicacy of the balance in the markets of agricultural products which we had reached in 1949-50, for example, has taught governments a lesson. In mid-1950 these markets changed almost overnight from an apparent surplus to a near deficit position without any abrupt change in world production prospects. This experience should help us realize that nations may greatly benefit in terms of national independence and security, economic stabilization and political influence throughout the world if they would hold or accumulate buffer stocks of much larger size than we have conceived of in the past. The further thought that the possibility of natural catastrophes is certainly not excluded for the future should also make the nations conscious of the need for adequate reserves. Reserves of a magnitude that would afford ample protection do not now exist. Their absence is thus a factor of underlying strength in the markets for agricultural products.

Another condition that in a general way may tend in the same direction is the greater present dependence of agricultural output, especially in America and Europe, upon the supplies of industrial means of production: commercial fertilizer, chemicals for the control of diseases and pests, farm machinery and tractors as well as fuel and electricity. Any large-scale diversion of factors of production, including labor, to defense, or international developments reducing the supply of critical raw materials, could hardly remain without influence upon agricultural output.

Turning to more specific factors which should influence the markets for the basic foodstuffs and feedstuffs I venture to count the preponderant position which the United States after the second World War has acquired as an exporter of grains and fats and oils. It is well realized that, if a substantial share of world exports is supplied by one single source, the effects of crop failure in that particular area would be drastic indeed. This knowledge of

vulnerability of world export supplies is of course a factor in the market situation.

In the past two consumption years, 1948-49 and 1949-50, the United States supplied fully 45 percent of total world shipments of wheat, 35 percent of total world shipments of coarse grains, and 15 percent of total world shipments of fats and oils. This represents a very great expansion compared with the 1930's or even the 1920's when United States exports of grains were sharply on the decline and when the United States was a net importer, not a net exporter, of fats and oils. Our crops have been favored by weather conditions for the past ten years, and we cannot for all time to come count on such a favorable situation. Prospects for the production in 1951 of wheat in the United States have greatly improved and are for a crop only slightly below the high ten-year average. However, the carry-over of corn this year will be greatly reduced compared with last year, and corn production at the favorable average yields of recent years is not much in excess of current requirements of our own livestock industry. Only if consumer buying power in the United States were to decline drastically would such a corn output result in substantial surpluses. In that case output would no doubt be restricted. A drastic decline in consumer buying power in the United States is, however, unlikely.

Quite generally it should be noted that, as Professor DeGraff has pointed out, the great increase in United States food output from the late 1930's up to 1944 was due to altogether exceptional circumstances, not likely to be repeated. It was out of this increase that the United States supplied so much to the rest of the world. For the past six years total food production in this country has not exceeded the level attained in 1944. The margin between output and domestic needs for the growing population has thus declined, and so have food exports over the past two or three years. The rest of the world cannot therefore safely count on a permanent United States export surplus of current magnitude.

Canada's position as a large exporter of grains basically has shown little change over the years and is about the same as it was before the war. In the southern hemisphere Argentina has reduced its production and export of agricultural products to a measurable extent, as a result of the expansion of the industrial sector of its economy. It is possible that agricultural exports, notably corn and wheat from Argentina, will stage a comeback - but this is likely only if a favorable price situation in world markets continues and even then is not certain. Australia has regained its prewar grain export level and may experience some further expansion in the production and export of food grains which is being promoted by British efforts. Exports of livestock products are on the decline owing to the rapid increase of population

through immigration. This downward movement is not likely to be quickly arrested despite the existing schemes for expansion of production for the British market that have been put into operation.

When we look at the immense area with its mass of people in the Far East, we find that the production of basic foodstuffs there since prewar days has, if anything, declined, whereas population has grown at a rapid pace. Before the war that area supplied to the rest of the world a net surplus of rice, whereas it is now an importer of cereals to the tune of several million tons. The region before the war exported on a net basis the equivalent of $2\frac{1}{2}$ million tons of fats and oils and over 3 million tons of oilcake; its present surplus is no more than 1 million tons of oil and below $\frac{3}{4}$ million tons of cake. The larger consumption of oil within the area partly compensates for the reductions in the cereal supply. It is true that much can still be done to raise agricultural productivity, for example rice yields in areas like Burma, Siam, and Indo-China, but it is not likely that these countries will make large and precipitous strides toward such an increase. Japan, of course, remains a deficit area for large quantities of grains, fats, and sugar. India, as you know, has a considerable deficit of grain this year, and will continue to require large imports. There may be other areas in Southeast Asia that will from time to time need imports of grain. The situation in the Far East as a whole, therefore, would point to continued deficits for the next several years. It is probable that these deficits will to some extent continue to be translated into effective demand. Rising incomes from raw material exports have strengthened these areas' international buying power which is also being supplemented by special loans or other aid.

The enigma that the Soviet Union and its East-European satellites represent is unlikely to become a big factor, in the near future, as far as agricultural markets are concerned. Shipments of grain and sugar from that area to Western Europe - much below their prewar rate - are not likely to exceed the proportions of recent years. They will, in any case, be determined, not by economic factors alone, but predominantly by political decisions. The potential agricultural surpluses in these areas have, on balance, been reduced by the political changes that have occurred: transfers of population; collectivization or other impediments to increasing or maintaining efficiency of farm production; and industrialization.

The Soviet Union itself is by no means a potential surplus area for foodstuffs, and if the existing plans for an increase in the depleted supply of livestock products are to be actually pursued, no conceivable increase in productivity could compensate

for the additional requirement in output from the soil for food uses as well as for general population increase.

In Western Europe some further expansion of agricultural production is as likely as is continued growth of population and the resulting increase in requirements. Barring the development of shortages in fertilizer and other chemicals and labor as a result of greatly stepped-up defense, output should continue to increase at a modest pace, accelerated or retarded, depending upon the extent to which farmers avail themselves of the possibilities of further technological progress. Such progress - that is, increases in productivity - would be the soundest source of profit and therefore of economic incentive for further expansion in production. The growth of livestock output, whose prices greatly depend on the trend in consumer buying power, will hinge on the development of general economic conditions. To live within its means, Western Europe must further expand general production and may not be able to expand consumption proportionately for some time to come, especially if requirements for investment and defense go up. In such a situation further increases in agricultural output would tend to be more pronounced for the products of the soil than for livestock products. This possible influence of general economic conditions could be mitigated or neutralized by technological improvements, such as in feeding practices and in grassland management, which would save resources and thus reduce costs.

Food output and food requirements in Africa and in the deficit areas of South America are unlikely to show significant and abrupt changes in the near future. Conditions in these countries will probably not develop into big market factors over the next few years.

Looking at the world situation in a more composite way we may note that, in the case of no major product, excepting sugar, has the world's supply reached the prewar level if considered in relation to its growing population. Supplies for consumption are even more unevenly distributed than they were before the war. In some areas, including the United States, people eat better than they did 15 years ago; probably half of the people of the world, however, eat less. I do not share alarmist views of international food prospects, and I do not think that, just because diets differ a great deal and may not appeal to the Western palate, they are inferior or inadequate. But it must be obvious, even to unsentimental and realistic consideration, that there is much need as well as room for improvement in living standards in many parts of the world. For hundreds of millions of people these standards mean mainly food and even at their present low level are insecure and precarious. It is true, of course, that political instability,

civil war and worse than that, and the threat of a major disaster are not the climate in which peaceful efforts at economic and spiritual advancement flourish and succeed. But it is a measure of the magnitude of the problem to realize that, even if we had a peaceful world, there would still not be enough food produced to feed all the world's population at tolerable standards, to secure a reasonable expectancy of life. Some of the difficulties do not lend themselves to simple solutions. In some areas the ratio of resources - or of the conceivable progress in their development - to population (or to the related growth of population) is so inadequate that little hope for rapid improvement would even then exist. And surely it is difficult to see how the billion people in Asia could feed themselves more adequately from resources other than their own agricultural production. Where, in other parts of the world, are the agricultural areas that could undertake such a job? How could other resources and skills in the Far East be developed to such an extent as to pay for such imports?

In many countries, however, and to some extent also in these overpopulated areas, much could be accomplished by greatly increased exchange, among the nations, of goods and services and of technological skill and learning. We have already made some progress in this direction and there is hope that it will be continued and expanded. I should like to end on this note and with a reminder to all of us of a simple truth of economic logic and experience. We all know it well and it almost seems commonplace to reiterate it. But economic and political policies in many cases and in many lands display a curious disregard for the evident. And so it should be said again and again: we cannot hope for the people of the world to attain a better life, unless we produce more and more efficiently; we cannot produce more unless we gain or maintain and permit peaceful access to complementary resources located outside each country's national borders; and we cannot gain or maintain or grant such access and make the best use of resources unless we trade more with each other and exchange our skills and learning throughout the world.